

LATHAM & WATKINS LLP
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Counsel to the Special Committee of the Board of Directors

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: : **Chapter 11**
: :
Allegiance Telecom, Inc., et al., : **Case No. 03-13057 (RDD)**
: **Jointly Administered**
: :
Debtor. :
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**SECOND INTERIM FEE AND EXPENSE APPLICATION COVER SHEET
OF LATHAM & WATKINS LLP AS COUNSEL TO THE SPECIAL
COMMITTEE OF THE DEBTORS' BOARD OF DIRECTORS**

Name of Applicant: Latham & Watkins LLP
Role in Case: Counsel to the Special Committee of the Board of Directors
Date of Retention: May 14, 2003
Period Covered: October 1, 2003 through February 29, 2004
Current Application
Fees Requested: \$77,031.00
Expenses Requested: \$5,328.43
Blended Hourly Rate: \$698.18
(excluding paraprofessionals)
Blended Hourly Rate: \$600.40
(including paraprofessionals)
Professionals: See Exhibit A
This is a(n): x interim _____ final application.

SECTION I: FEE SUMMARY

		To Date		Current Period
Total Fees Requested:	\$	270,860.50	\$	77,031.00
Total Disbursements Requested:	\$	5,938.50	\$	5,382.43
Total Fees Previously Allowed:	\$	198,829.50		
Total Disbursements Previously Allowed:	\$	5,938.50		
Total Previously Received by Applicant:	\$	214,228.95	\$	42,942.51

SECTION II: ATTORNEY/OTHER PROFESSIONAL SUMMARY

<u>Name of Attorney/ Other Professional</u>	<u>Yr. Admitted to Practice</u>	<u>Hours Billed</u>	<u>Hours Rate</u>	<u>Total</u>
<u>PARTNERS/OF COUNSEL</u>				
Robert J. Rosenberg	1971	82.70	\$ 775.00/hr	\$ 64,092.50
Mark A. Broude	1984	3.30	\$ 550.00/hr	\$ 2,087.50
James A. Cherney	1973	2.30	\$ 510.00/hr	\$ 1,173.00
Timothy B. Hardwicke	1989	1.90	\$ 450.00/hr	<u>\$ 855.00</u>
				\$ 68,208.00
<u>ASSOCIATES</u>				
Gregg D. Josephson	1999	4.20	\$ 410.00/hr	\$ 1,722.00
John W. Weiss	2000	3.30	\$ 360.00/hr	\$ 1,188.00
Allan Leavitt	2002	8.00	\$ 335.00/hr	<u>\$ 2,680.00</u>
				\$ 5,590.00
<u>NONLAWYER PROFESSIONALS</u>				
Leslie A. Salcedo	Paralegal	20.50	\$ 145.00/hr	\$ 2,972.50
Leslie A. Salcedo	Paralegal	1.10	\$ 155.00/hr ¹	\$ 170.50
Mark Sabow	Professional Staff	1.00	\$ 90.00/hr	<u>\$ 90.00</u>
				\$ 3,233.00
Total hours and fees		128.30		\$ 77,031.00

¹ The new hourly rates went into effect on January 1, 2004.

SECTION III: COMPENSATION BY PROJECT CATEGORY

	<u>Hours Billed</u>	<u>Blended Hourly Rate</u>	<u>Total</u>
General Case Administration	124.10	\$ 604.38	\$ 75,003.00
Investigation	<u>4.20</u>	\$ 482.86	<u>\$ 2,028.00</u>
Total hours and fees	128.30		\$ 77,031.00

SECTION IV: EXPENSE SUMMARY

<u>Expenses</u>	<u>Amount</u>
a. Telecopying	\$7.50
b. Photocopying	\$576.13
c. Telephone	\$52.64
d. Postage	\$12.12
e. Airline Fare	\$4,231.20
f. Legal Research	\$165.42
g. Ground Transportation	\$51.00
h. Out of Town Trip Expense	\$148.35
i. Word Processing	\$40.50
j. Ground Transportation –Local	\$89.56
k. Calling Card	\$8.01
TOTAL	\$5,382.43

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	:	
Allegiance Telecom, Inc., et al.,	:	Case No. 03-13057 (RDD)
	:	Jointly Administered
	:	
Debtor.	:	
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**SECOND INTERIM APPLICATION OF LATHAM & WATKINS LLP
FOR ALLOWANCE AND PAYMENT OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES AS COUNSEL TO THE
SPECIAL COMMITTEE OF THE DEBTORS' BOARD OF DIRECTORS**

Pursuant to sections 330, 331 and 503(b)(1)(A) of Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the "Local Guidelines") and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996 (the "UST Guidelines" collectively with the Local Guidelines. the "Guidelines"), Latham & Watkins LLP ("Latham"), counsel to the special committee of the board of the directors (the "Special Committee") of the above-captioned debtors and debtors-in-possession (the "Debtors"), respectfully submits this second interim application (the "Application") for allowance of compensation totaling \$77,031.00 and reimbursement for expenses totaling \$5,382.43 for the period from October 1, 2003 through February 29, 2004 (the "Compensation Period").

In support of this Application, Latham respectfully represents as follows:

Background

1. On May 14, 2003 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors are continuing to possess their property and manage their businesses as authorized under Sections 1107 and 1108 of the Bankruptcy Code.
2. On June 13, 2003, this Court entered an order approving the retention of Latham *nunc pro tunc* to the Petition Date, as counsel to the Special Committee.
3. By Order dated June 13, 2003 (the “Administrative Order”), the Court established a procedure for interim compensation and reimbursement of expenses for all professionals in these cases. In particular, the Administrative Order provides that, absent objection, upon the expiration of twenty days after the service of monthly fee statements, the Debtors are authorized to pay each professional an amount equal to 80 percent of the fees and 100 percent of the expenses requested in their respective monthly fee statements. By this Application, Latham seeks payment of all outstanding monthly fee statements owing (less amounts voluntarily written-off as described in paragraph 12 below) with respect to Latham’s monthly fee statements included in this Application.
4. On November 5, 2003 Latham filed a first fee application covering the period May 14, 2003 through September 31, 2003. On December 17, 2003 this Court entered an order approving the first fee application and allowing fees and expenses in the amounts of \$193,829.50 and \$5,938.50, respectively.
5. The supervisory responsibility for Latham’s efforts on behalf of the Special Committee has been borne by Robert J. Rosenberg. Mr. Rosenberg is global co-head of

Latham’s Insolvency Practice Group and a partner in Latham’s New York office. Mr. Rosenberg is a 1967 graduate of Columbia University and a 1970 graduate of Harvard Law School.

Summary of Services Performed During the Current Compensation Period

6. As is reflected in the attached Second Interim Fee and Expense Application Cover Sheet (the “Cover Sheet”), Latham has rendered 128.30 hours of legal services in representation of the Special Committee from October 1, 2003 through February 29, 2004. Based on the nature of the services rendered, the time required to provide such services, the value of such services to the Special Committee, and the cost of comparable services outside a case under the Bankruptcy Code, Latham believes that the compensation for services rendered to the Special Committee, should be not less than \$77,031.00. This total represents 128.30 hours of Latham attorney and other professional time, at a blended average hourly rate of \$600.40. The hourly rate for each attorney and other professional who performed services for the Special Committee is set forth in the Cover Sheet.

7. In accordance with the Local Guidelines, a detailed chronological narrative (the “Billing Detail”) of the time spent (divided among two (2) billing categories adopted at the outset of these cases), the dates and descriptions of the services rendered, and the identity of the attorneys and other professionals who provided services on behalf of the Special Committee from October 1, 2003 through February 29, 2004, is attached hereto as Exhibit “A” and incorporated herein by reference. Section III of the Cover Sheet, contains a summary of the services provided by project category.

8. Latham respectfully supplements the attached Billing Detail with the following narrative summary of services rendered by Latham, organized by category.

a. **General Case Administration.** Latham rendered a total of 124.10 hours and \$75,003.00 in services in the category “General Case Administration.” This project contains all of Latham’s services rendered in connection with offering general advice to the Special Committee and the individual members thereof on all matters within their province, including attendance at meetings of the Board of Directors and the Special Committee. Areas of advice included all matters where not all directors were independent, including but not limited to the Key Employee Retention Plan and issues related to plan formulation.

b. **Investigation.** Latham rendered a total of 4.20 hours and \$2,028.00 in services in the category “Investigation.” This project contains all of Latham’s services rendered in connection with an investigation of allegations made against a senior employee of the debtor which was undertaken by Latham at the request of the Board of Directors and the Special Committee.

Latham’s Staffing and Internal Procedures.

10. Latham has made a conscious effort in this case to provide the Special Committee with high quality legal services at the lowest possible cost. Whenever possible, rather than “reinventing the wheel,” Latham has drawn upon the considerable expertise of its senior partners to obtain quick answers to difficult questions without the need for expensive and time consuming legal research. Where research has been required, Latham has utilized the low billing rates of junior lawyers, resulting in considerable savings for the Special Committee. Latham respectfully submits that it has been extremely efficient in avoiding duplication of effort and keeping fees and costs at the lowest level possible.

11 Latham believes that the attached Billing Detail reflects the actual, fair and reasonable value of the legal expertise provided to the Special Committee during the Compensation Period.

Disbursements

12. Latham expended a total of \$5,382.43 for reasonable and necessary expenses in connection with its representation of the Special Committee from October 1, 2003 through February 29, 2004.² Latham has voluntarily reduced its expenses by \$180.00. In accordance with the Guidelines, Section IV of the Cover Sheet attached hereto and incorporated herein by reference, also contains a summary of the expenses incurred by type.

13. Latham does not build a profit component into its disbursements, and charges the Special Committee only for Latham's actual out-of-pocket expenses. Photocopy charges are billed at \$0.17 per page and outgoing faxes are billed at \$1.25 per page.

Certification

14. As required by the Guidelines, a certification that the facts set forth in this Application are true and correct, and that this Application complies with the Guidelines, is attached hereto as Exhibit "B".

Latham is a Disinterested Person and Holds No Adverse Interest

15. All professional services and expenses for which allowance is requested in this Application were performed by Latham on behalf of the Special Committee and not on behalf of any other entity or person. Latham has neither a claim against, nor an interest in, the Debtors,

² Some charges incurred by Latham during the Compensation Period may not be reflected here due to delays in receiving bills from third party providers. Latham will request any such fees in its next interim fee application.

and no beneficial interest in the Debtors, directly or indirectly, has been acquired or transferred by Latham or for Latham's benefit since the commencement of these cases. Latham represents no interest adverse to the Debtors or the Special Committee with respect to matters upon which it is engaged, and Latham is a "disinterested person" under section 101(14) of the Bankruptcy Code.

16. No agreement or understanding exists between Latham and any other person or entity for the sharing of compensation received or to be received for services rendered in connection with these proceedings, except that fees will be shared with other partners of Latham as permitted by Bankruptcy Rule 2016 and Section 504 of the Bankruptcy Code.

WHEREFORE, Latham respectfully requests that this Court approve: (i) interim compensation in the amount of \$77,031.00 for actual, reasonable and necessary professional services rendered to the Special Committee by Latham during the Compensation Period; and (ii) interim reimbursement by the Debtors of Latham's expenses in the amount of \$5,382.43 for actual, reasonable and necessary expenses incurred on behalf of the Special Committee during the Compensation Period.

Dated: New York, New York
April 6, 2004

LATHAM & WATKINS LLP

/s/ Robert J. Rosenberg
Robert J. Rosenberg (RR-9585)
885 Third Avenue, Suite 1000
New York, New York 10022
(212) 906-1200

Counsel to the Special Committee of
Board of Directors

EXHIBIT A

EXHIBIT A

For professional services rendered from October 1, 2003 through February 29, 2004

re: **GENERAL CASE ADMINISTRATION**

<u>TIMEKEEPER</u>	<u>DATE</u>	<u>HOURS</u>	<u>DESCRIPTION</u>
ROSENBERG	10/01/03	.50	TELEPHONE CONFERENCE WITH M. KRAMER REGARDING CONFIRMATION PROCESS (.3); TELEPHONE CONFERENCE WITH M. CANTOR REGARDING SAME (.2)
SALCEDO	10/01/03	.10	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET.
ROSENBERG	10/02/03	3.30	REVIEW AND RESPOND TO E-MAILS REGARDING INVESTIGATION (.3); PROFESSIONALS CALL REGARDING PREPARATION FOR BOARD MEETING (1.); REVIEW CORRESPONDENCE FROM POTENTIAL BIDDER (.2); REVIEW DRAFT PLAN (.5); CONFERENCE CALL WITH CLIENT, PROFESSIONALS REGARDING SECURITIES ISSUES (.8); REVIEW BOARD PRESENTATION FOR MEETING TOMORROW (.5)
JOSEPHSON	10/02/03	.40	FOLLOW UP WITH L. SALCEDO ON FEE APPLICATION PREPARATION AND ISSUES
SALCEDO	10/02/03	.10	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET.
ROSENBERG	10/03/03	2.30	BOARD MEETING
SALCEDO	10/03/03	.10	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET.
SALCEDO	10/06/03	.10	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET.
SALCEDO	10/07/03	.90	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET (.10); PREPARED DRAFT OF FEE APPLICATION (.80).
JOSEPHSON	10/07/03	.60	DISCUSS FEE APPLICATION WITH L. SALCEDO (.30); REVIEW PROCEDURES FOR CASE (.30)
SALCEDO	10/08/03	1.30	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET (.10); PREPARED SEPTEMBER INVOICE (.60); REVISED FIRST INTERIM FEE APPLICATION (.60).
SALCEDO	10/09/03	1.00	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET (.10); PREPARED SEPTEMBER INVOICE (.60); REVISED FEE STATEMENT (.30).
ROSENBERG	10/10/03	1.10	REVIEW CORRESPONDENCE FROM POTENTIAL BIDDER (.2); REVIEW AND RESPOND TO E-MAILS REGARDING POTENTIAL SALE PROCESS (.2); TELEPHONE CONFERENCE WITH M. CANTOR (2X) REGARDING RESPONSE TO SUCH LETTER (.3); REVIEW DRAFTS OF LETTER REGARDING RESPONSE (.4)
SALCEDO	10/10/03	.50	AS PER G. JOSEPHSON, REVISED SEPTEMBER INVOICE (.20); REVISED FEE STATEMENT (.30).
ROSENBERG	10/13/03	3.90	REVIEW MATERIALS FOR BOARD CALL, INCLUDING OFFERS (1.5); BOARD CALL (2.2); TELEPHONE CONFERENCE WITH ALLEGIANCE PROFESSIONALS (.2)

SALCEDO	10/13/03	.10	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET.
ROSENBERG	10/14/03	.30	REVIEW PRESS REGARDING TELECOM TRANSACTIONS
SALCEDO	10/14/03	4.00	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET (.10); AS PER R. ROSENBERG, REVISED SEPTEMBER INVOICE (.30); PREPARED FIRST INTERIM FEE APPLICATION (2.40); PREPARE EXHIBIT A TO INTERIM FEE APPLICATION (1.20).
SALCEDO	10/15/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	10/16/03	2.70	TELEPHONE CONFERENCE WITH J. GOLDBERG REGARDING MANAGEMENT ISSUES (.3); TELEPHONE CONFERENCE WITH M. TRESNOWSKI AND PROFESSIONALS REGARDING PLAN AND POTENTIAL SALE PROCESS (.3); TELEPHONE CONFERENCE WITH R. HUNDT REGARDING SAME (1.); TELEPHONE CONFERENCE WITH M. TRESNOWSKI, M. KRAMER REGARDING SAME (.3); TELEPHONE CONFERENCE WITH M. TRESNOWSKI, R. HOLLAND REGARDING SAME (.5); REVIEW DRAFT TIMELINE (.3)
SALCEDO	10/16/03	.10	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET.
ROSENBERG	10/17/03	3.90	REVIEW MATERIALS FOR BOARD (1.5); TELEPHONE CONFERENCE WITH M. CANTOR (.2); CONFERENCE CALL WITH PROFESSIONALS REGARDING BOARD PRESENTATION (.7); CONFERENCE CALL WITH BOARD (1.5)
SALCEDO	10/17/03	.10	AS PER G. JOSEPHSON, OBTAINED UPDATED DOCKET.
ROSENBERG	10/19/03	.30	REVIEW LAZARD RETENTION AGREEMENT
ROSENBERG	10/20/03	1.80	TELEPHONE CONFERENCE WITH M. CANTOR REGARDING TRADING ISSUES (.3); TELEPHONE CONFERENCE WITH M. TRESNOWSKI REGARDING SAME (.2); REVISE DRAFT OF FIRST FEE APPLICATION (1.); REVIEW MEMORANDUM REGARDING PLAN VS. 363 SALE (.3)
SALCEDO	10/20/03	.70	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); REVISED FEE APPLICATION (.60).
ROSENBERG	10/21/03	6.00	TRAVEL TO DALLAS, WHILE TRAVELING, PREPARE FOR BOARD MEETING
SALCEDO	10/21/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	10/22/03	8.00	BOARD MEETING (5.0); RETURN TO NYC (1/2 OF ACTUAL TIME) - (3.0)
SALCEDO	10/22/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	10/24/03	.70	REVIEW BOARD MEMOS REGARDING M&A PROCESS STATUS (.5); REVIEW E-MAILS REGARDING NEW OFFER (.2)
SALCEDO	10/24/03	.70	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); REVISED FEE APPLICATION (.60).

ROSENBERG	10/27/03	1.40	PREPARE FOR CALL WITH TRESNOWSKI, KIRKLAND (.5); TELEPHONE CONFERENCE WITH TRESNOWSKI, KIRKLAND REGARDING TRADING ISSUES (.9)
SALCEDO	10/27/03	.40	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); REVISED FEE APPLICATION (.30).
ROSENBERG	10/28/03	2.20	REVIEW CORRESPONDENCE FROM BIDDERS, GREENHILL COPIES OF BIDS (1.2); REVIEW AND REVISE DRAFT OF FIRST INTERIM FEE APPLICATION (.5); CONFERENCE CALL WITH TRESNOWSK, R. HOLLAND, M. CANTOR REGARDING ISSUES FOR BOARD OF DIRECTORS MEETING (.5)
SALCEDO	10/28/03	.90	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); REVISED FEE APPLICATION (.60); MEET WITH B. ROSENBERG REGARDING SAME (.20).
ROSENBERG	10/29/03	1.20	BOARD CONFERENCE CALL (1.2)
SALCEDO	10/29/03	.80	AS PER R. ROSENBERG, REVISED TIME DESCRIPTIONS.
ROSENBERG	10/30/03	.50	REVIEW AND REVISE REDRAFT OF INTERIM FEE APPLICATION
SALCEDO	10/30/03	1.30	AS PER R. ROSENBERG, REVISED FEE APPLICATION.
SALCEDO	10/31/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	11/03/03	.50	REVIEW E-MAIL AND MEMOS REGARDING OFFERS
SALCEDO	11/03/03	.70	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); AS PER R. ROSENBERG, REVISED FEE APPLICATION AND PREPARED PROPOSED ORDER (.60).
ROSENBERG	11/04/03	.80	FINISH 1ST INTERIM FEE APPLICATION (.3); PREPARE FOR BOARD MEETING AND REVIEW BID ANALYSIS (.5)
SALCEDO	11/04/03	.50	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); REVISED FEE APPLICATION (.40).
ROSENBERG	11/05/03	2.20	REVIEW REVISED BOARD PRESENTATION (.5); CONFERENCE CALL - BOARD (1.4); REVIEW REVISED KERP AS COMPROMISED (.3)
SALCEDO	11/05/03	.30	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); PREPARED CERTIFICATE OF SERVICE (.20).
SALCEDO	11/06/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	11/07/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	11/08/03	.70	REVIEW STATUS REPORT FROM M. TRESNOWSKI (.3); REVIEW ADDITIONAL E-MAILS AND LETTER FROM NEW BIDDER (.4)
SALCEDO	11/10/03	.50	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); FILED AND SERVED FIRST INTERIM FEE APPLICATION (.40).

SABOW	11/10/03	1.00	TRAVELED TO USBC SDNY.DELIVERED COURTESY COPY OF DOCUMENTS TO JUDGE.
SALCEDO	11/11/03	.50	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10) PREPARED AND SENT OUT OCTOBER INVOICE (.40).
SALCEDO	11/12/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	11/13/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	11/14/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	11/16/03	3.50	REVIEW E-MAILS REGARDING STATUS OF M&A (.3); REVIEW AGREEMENTS WITH BIDDERS (3.0); REVIEW PRESS (.2)
SALCEDO	11/17/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	11/18/03	2.00	REVIEW BID COMPARISONS FOR BOARD MEETING (.5); BOARD MEETING (1.5)
SALCEDO	11/18/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	11/19/03	.50	REVIEW 3RD M&A PROPOSAL AND ANALYSIS
SALCEDO	11/19/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	11/20/03	.30	REVIEW ANALYSES OF POTENTIAL ACQUIROR
SALCEDO	11/20/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	11/21/03	.20	REVIEW E-MAIL REGARDING STATUS OF NEGOTIATIONS
SALCEDO	11/21/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	11/24/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
JOSEPHSON	11/25/03	2.80	PREPARE AND FILE PROOFS OF CLAIM FOR INDEPENDENT DIRECTORS (1.5); FOLLOW UP WITH DIRECTORS (.50); NUMEROUS CALLS WITH COMMITTEE MEMBERS OR THEIR REPRESENTATIVES AS WELL AS K & E (.80)
SALCEDO	11/25/03	.40	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); ASSISTED G. JOSEPHSON WITH PREPARING PROOF OF CLAIMS (.30).
JOSEPHSON	11/26/03	.40	F/U WITH L. SALCEDO REGARDING POC FILINGS
SALCEDO	11/26/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	12/01/03	2.90	REVIEW LAST DRAFTS OF M&A AGREEMENTS WITH THE TWO BIDDERS (2.0); REVIEW E-MAILS REGARDING STATUS OF NEGOTIATION (.6); REVIEW DEUTSCHE BANK ANALYSTS REPORT REGARDING POTENTIAL BUYER (.3)
SALCEDO	12/01/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.

SALCEDO	12/02/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	12/03/03	.30	REVIEW STRATEGY MEMORANDUM (.3)
SALCEDO	12/05/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	12/08/03	.50	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); PREPARED AND SENT OUT NOVEMBER INVOICE (.40).
ROSENBERG	12/09/03	1.00	REVIEW ANALYSTS REPORTS (.7); TELEPHONE CONFERENCE WITH M. CANTOR REGARDING OFFERS (.3)
SALCEDO	12/09/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	12/10/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	12/11/03	2.10	BOARD CONFERENCE CALL (1.8); REVIEW KEY ISSUES CHART (.3)
SALCEDO	12/11/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	12/12/03	1.00	BOARD CONFERENCE CALL
WEISS	12/12/03	.40	TELEPHONE CALL AND MEETING WITH R. ROSENBERG REGARDING ATTENDANCE AT 12/16/03 HEARING REGARDING LATHAM'S FINAL FEE APPLICATION IN THE CASE; TELEPHONE CALL WITH L. SALCEDO REGARDING US TRUSTEE'S OBJECTION REGARDING SAME AND STATUS OF EXPENSES DOCUMENTATION REQUESTED THEREIN
SALCEDO	12/12/03	.30	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); OBTAINED INFORMATION FOR OBJECTION TO FEE APPLICATION (.20).
WEISS	12/15/03	1.40	FOLLOW-UP WITH L. SALCEDO REGARDING SUPPORTING DOCUMENTS FOR EXPENSES BILLED BY LATHAM IN THE CASE, AND TRANSMITTAL OF SAME TO US TRUSTEE (0.2); PREPARATION FOR 12/16/03 HEARING REGARDING LATHAM'S FIRST FEE APPLICATION IN THE CASE, INCLUDING THREE BRIEF TELEPHONE CALLS WITH R. ROSENBERG, T. HARDWICKE AND J. CHERNEY REGARDING SAME (0.3); TELEPHONE CALLS (X2) FROM M. FRISHBERG (DEBTORS) REGARDING PREPARATION OF ORDER REGARDING FEE APPLICATIONS OF DEBTORS' PROFESSIONALS AND RELATED ISSUES (0.3); TELEPHONE CALL WITH P. LUSTRIN (US TRUSTEE) REGARDING SUPPORTING DOCUMENTATION FOR EXPENSES SET FORTH IN LATHAM'S FIRST FEE APPLICATION AND RELATED ISSUES (0.2); REVIEW PROPOSED FEE ORDERS (0.2); TELEPHONE CALL WITH AND CORRESPONDENCE TO M. FRISHBERG (DEBTORS) REGARDING LATHAM'S COMMENTS TO PROPOSED ORDER APPROVING PROFESSIONAL FEES (0.2)
SALCEDO	12/15/03	.40	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); FAXED REQUESTED DOCUMENTS REGARDING OBJECTION TO FEES TO TRUSTEE (.30).

ROSENBERG	12/16/03	.50	REVIEW UPDATE REGARDING M&A TRANSACTION
WEISS	12/16/03	1.50	ATTENDED HEARING REGARDING FIRST FEE APPLICATION OF LATHAM & WATKINS AND TELEPHONE CALL TO R. ROSENBERG REGARDING OUTCOME OF SAME
SALCEDO	12/16/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	12/17/03	1.20	REVIEW BOARD MATERIALS REGARDING M&A TRANSACTION
SALCEDO	12/17/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	12/18/03	.30	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); ORGANIZATION OF FILES (.20).
SALCEDO	12/19/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
BROUDE	12/22/03	2.30	REVIEWING SALE PAPERS
SALCEDO	12/22/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	12/23/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	12/29/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	12/30/03	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	01/05/04	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
SALCEDO	01/06/04	.10	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET.
ROSENBERG	01/07/04	2.00	REVIEW MOTION FOR APPROVAL OF BIDDING PROCEDURES AND SALE, INCLUDING PROPOSED SALE CONTRACT
SALCEDO	01/07/04	.40	AS PER R. ROSENBERG, OBTAINED UPDATED DOCKET (.10); PREPARED AND SENT OUT DECEMBER INVOICE (.30).
ROSENBERG	01/09/04	1.00	REVIEW OBJECTIONS AND RESPONSES TO SALE AND BIDDING PROCEDURES MOTION (1.00)
SALCEDO	01/09/04	.20	AS PER R. ROSENBERG, OBTAINED SELECTED DOCUMENTS FOR REVIEW.
ROSENBERG	01/14/04	.30	REVIEW STATUS MEMORANDUM TO BOARD (.3)
BROUDE	01/16/04	1.00	REVIEWING BID PROCEDURES ORDER
ROSENBERG	01/20/04	.60	REVIEW GREENHILL AUCTION UPDATE (.2); REVIEW TEJAS SECURITIES ANALYSIS OF QUEST BID (.4)
ROSENBERG	01/26/04	.20	REVIEW MEMORANDUM AND CHART REGARDING STATUS OF CASE AND AUCTION
SALCEDO	02/05/04	.30	AS PER R. ROSENBERG, PREPARED AND SERVED JANUARY MONTHLY STATEMENT

ROSENBERG	02/10/04	.50	TELEPHONE CONFERENCE WITH M. TRESNOWKSI, R. HOLLAND, REGARDING DIRECTOR RELEASES
ROSENBERG	02/11/04	.30	TELEPHONE CONFERENCE WITH M. CANTOR REGARDING PLAN PROVISIONS
LEAVITT	02/11/04	8.00	RESEARCH RELEASE OF CLAIMS; DRAFT MEMORANDUM
ROSENBERG	02/12/04	.50	REVIEW RESEARCH MEMORANDUM REGARDING RELEASE OF DIRECTORS (.3); TELEPHONE CONFERENCE WITH A. LEAVITT REGARDING SAME (.2)
ROSENBERG	02/18/04	1.70	REVIEW AND COMMENT ON PROPOSED PRESENTATION TO BOARD (.4); TELEPHONE CONFERENCE WITH M. TRESNOWKSI REGARDING SAME (.3); PREPARE RESPONSE TO AUDITORS (1.0)
ROSENBERG	02/22/04	.80	REVIEW MATERIALS FOR BOARD MEETING
ROSENBERG	02/23/04	7.00	WHILE TRAVELING TO DALLAS, PREPARE PRESENTATION FOR BOARD MEETING AND REVIEW NEW BOARD MATERIALS
ROSENBERG	02/24/04	7.50	BOARD MEETING (4.0); RETURN TO NYC (1/2 TIME BILLED) (3.5)
ROSENBERG	02/27/04	.50	REVIEW MEMORANDUM REGARDING PROPOSED LEVEL 3 SETTLEMENT AND SETTLEMENT AGREEMENT

For professional services rendered from October 1, 2003 through February 29, 2004.

re: **INVESTIGATION,**

<u>TIMEKEEPER</u>	<u>DATE</u>	<u>HOURS</u>	<u>DESCRIPTION</u>
CHERNEY	10/01/03	.30	MISCELLANEOUS E-MAILS REGARDING REPORT TO THE BOARD AND BOARD MEETING
HARDWICKE	10/02/03	1.80	E-MAILS TO B. ROSENBERG, J. GOLDBERG AND CONFERENCE WITH J. CHERNEY RE UPCOMING BOARD OF DIRECTORS' MEETING RE EMPLOYEE INVESTIGATION
HARDWICKE	10/20/03	.10	E-MAILS RE SCHEDULE FOR CONFERENCE CALL WITH BOARD OF DIRECTORS SET FOR 10/22
CHERNEY	10/21/03	2.00	CONFERENCES WITH T. HARDWICKE AND PREPARE FOR BOARD MEETING (.5); REVIEW REPORT AND TELEPHONE CONFERENCE WITH J. GOLDBERG (1.5)

EXHIBIT B

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
In re: : **Chapter 11**
:
Allegiance Telecom, Inc. et al., : **Case No. 03-13057(RDD)**
: **Jointly Administrated**
:
Debtor. :
-----X

**CERTIFICATION UNDER GUIDELINES FOR FEES AND DISBURSEMENTS FOR
PROFESSIONALS IN RESPECT SECOND INTERIM FEE APPLICATION OF
LATHAM & WATKINS LLP FOR ALLOWANCE AND PAYMENT OF
COMPENSATION AND REIMBURSEMENT OF EXPENSES AS COUNSEL TO THE
DEBTOR’ SPECIAL COMMITTEE OF BOARD OF DIRECTORS**

Robert J. Rosenberg, a partner at Latham & Watkins LLP (“Latham”) and counsel to the special committee of the board of the directors (“the Special Committee”) of the above-captioned debtors and debtors in possession (collectively the “Debtors”), in compliance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the “Local Guidelines”) and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996 (the “UST Guidelines,” and collectively with the Local Guidelines, the “Guidelines”), hereby certifies as follows:

1. I have reviewed the Second Interim Application of Latham & Watkins LLP for Allowance and Payment of Compensation and Reimbursement of Expenses as Counsel to the Special Committee of the Board of Directors, dated April 6, 2004, (the “Application”) for the period commencing October 1, 2003 through February 29, 2004, which seeks approval of certain

fees and expenses rendered to the Special Committee in connection with the above captioned Chapter 11 cases.

2. In respect of Section B. 1 of the Local Guidelines, I certify that:

(a) I have read the Application;

(b) to the best of my knowledge, information, and belief formed after reasonable inquiry, the fees and disbursements sought fall within the Local Guidelines;

(c) the fees and disbursements sought are charged in accordance with practices customarily employed by Latham and generally accepted by Latham's clients; and

(d) in providing a reimbursable service, Latham does not make a profit on that service, whether the service is performed by Latham in-house or through a third party.

3. In respect of Section B. 2 of the Local Guidelines, I certify that to the best of my knowledge and belief all of Latham's monthly fee statements were sent to the Counsel for the Prepetition Secured Lenders, Counsel for the Creditors' Committee, the Debtor and Debtors' Counsel, and the United States Trustee not later than 20 days after the end of each month for each such statement.

4. In respect of Section B. 3 of the Local Guidelines, I certify that the Counsel for the Prepetition Secured Lenders, Counsel for the Creditors' Committee, the Debtor and Debtors' Counsel, and the United States Trustee are each being provided with a copy of this Application at least 10 days in advance of the hearing to consider this Application.

I certify the foregoing to be true and correct.

Dated: April 6, 2004
New York, New York

/s/ Robert J. Rosenberg
Robert J. Rosenberg